

**PUBLIC DISCLOSURE**

**April 13, 2015**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**ADAMS COMMUNITY BANK**

**90140**

**2 Center Street  
Adams, Massachusetts 01220**

**Division of Banks**

**1000 Washington Street, 10<sup>th</sup> Floor  
Boston, MA 02118**

**Federal Deposit Insurance Corporation**

**350 Fifth Avenue, Suite 1200  
New York, New York 10118**

<p><b>NOTE:</b> This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
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## TABLE OF CONTENTS

General Information.....	1
Institution's CRA Rating.....	2
Scope of Examination .....	3
Description of Institution.....	4
Description of Assessment Area .....	5
Conclusions with Respect to Performance Tests .....	8
Appendix A – Minority Application Flow (Division of Banks).....	16
Glossary .....	20

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (Division) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Adams Community Bank (or the Bank)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **April 13, 2015**. The agencies evaluate performance in the assessment area(s), as it is defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

**INSTITUTION'S CRA RATING:**  
**This institution is rated Satisfactory.**

**The Lending Test is rated: Outstanding.**  
**The Community Development Test is rated: Satisfactory.**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these tests is summarized below:

**Lending Test**

The institution is rated **Outstanding** under the Lending Test. This rating is supported by the following results.

- Bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending related activities are in the bank's assessment area.
- Overall, the geographic distribution reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The Bank has not received any CRA-related complaints.

**Community Development Test**

The institution is rated **Satisfactory** under the Community Development Test. The Bank's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate. The examination team considered the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and FDIC. The Bank's CRA performance was assessed using Intermediate Small Bank (ISB) CRA evaluation procedures. These procedures, established by the Federal Financial Institutions Examination Council (FFIEC), are used as the Bank had total assets of at least \$305 million, but less than \$1.221 billion, as of December 31 of each of the prior two calendar years. The Bank's performance is evaluated based upon a Lending Test and a Community Development Test. The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes (borrower profile); and, record of taking action in response to CRA complaints. The Community Development Test considers the number and dollar amount of community development loans, qualified investments, and community development services.

This evaluation focused on residential mortgage and small business loans, as these reflect the primary loan products offered by Adams Community Bank. Considering the Bank's loan portfolio distribution and volume of lending by loan type during the evaluation period, more weight was given to the Bank's performance in residential mortgage lending when arriving at overall conclusions. Consumer loans and small farm loans were not considered in the evaluation as these loans represent a nominal percentage of the loan portfolio.

Information regarding residential mortgage lending was derived from the Bank's Loan Application Registers (LARs), reported pursuant to the Home Mortgage Disclosure Act (HMDA). The HMDA LARs contain data about home purchase and home improvement loans, including refinancing, of one-to-four family and multi-family (five or more units) properties. The primary focus of this evaluation is lending performance in 2013, as this is the most recent year for which aggregate data is available. Aggregate lending data is used for comparison purposes within the evaluation, and includes lending information from institutions that reported at least one loan in the Bank's assessment area in 2013. Residential lending activity for 2014 was also analyzed to identify any significant trends or anomalies and was included in performance tables. The borrower profile and geographic distribution criteria consider only those loans made within the assessment area. The Bank's LAR indicated 361 originations totaling \$48.0 million in 2013, and 299 originations totaling \$32.9 million in 2014.

As an ISB, the Bank is not required to collect and report its small business loan data. The examination team sampled Bank records in 2014 to draw conclusions for the Lending Test. The sample consisted of 34 loans totaling \$2.1 million. Small business loans include commercial real estate and commercial and industrial loans in amounts of \$1 million or less for the purposes of this evaluation. Comparisons to small business aggregate data are not included, as the aggregate lenders are generally much larger institutions required to report small business lending data.

Demographic information from the 2010 United States (U.S.) Census was used when evaluating residential mortgage lending for 2013 and 2014. The evaluation also referenced data from FFIEC Reports of Condition and Income (Call Reports), Dun and Bradstreet (D&B) business

demographic reports, and FFIEC-updated median family income (MFI) information.

The timeframe subject to analysis for purposes of the Community Development Test is September 20, 2010, through April 13, 2014. Data on community development loans, investments, and services during the evaluation period was provided by Bank management.

## **DESCRIPTION OF INSTITUTION**

This represents the first evaluation of the combined entities, Adams Co-operative Bank and South Adams Savings Bank. Both banks had previously operated as separate institutions. The two banks merged on February 25, 2012 and began operating as Adams Community Bank. Adams Co-operative bank was last evaluated on September 20, 2010, using Small Bank evaluation procedures, resulting in an Outstanding rating. South Adams Savings Bank was last evaluated on December 18, 2008, also using Small Bank evaluation procedures, resulting in a Satisfactory rating.

The Bank operates its main office at 2 Center Street, Adams, Massachusetts. Its seven full-service locations are in Adams (2), Cheshire, Lanesboro, Lee, North Adams, and Williamstown. All bank branches are located in Berkshire County, Massachusetts. Out of the seven bank branches, five are located in middle-income geographies and two in upper-income geographies. All of the offices offer drive-through facilities, extended hours at least one evening a week, and Saturday hours (except for the Cheshire Office). In addition, the Bank offers telephone, internet, and mobile banking services.

The Bank offers a full array of deposit and loan products. Deposit services offered include a range of personal and business checking and savings accounts, money market accounts, certificates of deposit, IRAs, and electronic direct deposit. Loan products include residential mortgage loans, business loans, and personal loans. The Bank is also a Small Business Administration (SBA) lender.

As of December 31, 2014, the Bank had total assets of \$394.8 million, which represents an increase since Adams Co-operative Bank and South Adams Savings Bank were reviewed independently. In addition, as of December 31, 2014, the Bank had total loans of \$332.4 million. The loan portfolio accounted for 84.2 percent of the Bank's assets. Refer to Table 1 for detailed information regarding the composition of the Bank's loan portfolio.

<b>Table 1</b> <b>Loan Portfolio Distribution as of December 31, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans</b>
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	25,331	7.6
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	246,544	74.2
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	4,335	1.3
Secured by Multi-Family (5 or more) Residential Properties	9,485	2.9
<b>Total Residential Real Estate Loans</b>	<b>285,695</b>	<b>86.0</b>
Construction, Land Development, and Other Land Loans	3,816	1.1
Secured by Farmland (Including Farm Residential and Other Improvements)	0	0
Secured by Nonfarm Nonresidential Properties	23,794	7.2
<b>Total Real Estate Loans</b>	<b>313,305</b>	<b>94.3</b>
Loans to Finance Agricultural Production and Other Loans to Farmers	0	0
Commercial and Industrial	9,997	3.0
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	9,068	2.7
Loans to nondepository financial institutions and other loans	0	0
<b>Total Loans</b>	<b>332,370</b>	<b>100.0</b>

*Source: December 31, 2014 Call Report.*

As the table above demonstrates, the Bank is primarily a residential lender with 86.0 percent of total loans secured by residential real estate. Commercial and industrial loans and loans secured by nonfarm nonresidential properties account for 10.2 percent of the loan portfolio, and consumer loans represent 2.7 percent of this portfolio. The Bank has not made any farm loans.

The Bank operates in a competitive environment that includes locally-based institutions such as MountainOne Bank, Berkshire Bank, and Greylock Federal Credit Union, as well as a number of large national banks, credit unions, and mortgage companies.

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area, as currently defined, meets the technical requirements of the CRA regulation. It includes 31 census tracts located in the Pittsfield, MA Metropolitan Statistical Area (MSA). The assessment area includes the Massachusetts municipalities of Adams, Becket, Cheshire, Clarksburg, Dalton, Florida, Hancock, Hinsdale, Lanesboro, New Ashford, North Adams, Peru, Pittsfield, Richmond, Savoy, Washington, Williamstown, and Windsor. Refer to Table 2 for the most recent demographic information for the assessment area.

<b>Table 2</b> <b>Demographic Information for Assessment Area (2014)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	31	3.2	12.9	61.3	22.6
Population by Geography	110,395	3.1	12.6	61.8	22.5
Owner-Occupied Housing by Geography	31,567	0.8	8.4	64.8	26.0
Family Distribution by Income Level	27,905	22.6	17.3	22.8	37.3
Businesses By Geography	8,314	9.8	10.2	53.9	26.1
Distribution of Low and Moderate Income Families throughout AA Geographies	11,124	4.3	19.5	63.1	13.1
FFIEC Adjusted MFI for 2014		\$64,783	Unemployment Rate		5.1%
Families Below Poverty Level		8.7%			
Median Housing Value		\$194,717			

*Source: 2010 U.S. Census, 2014 D&B data, and 2014 FFIEC Adjusted MFI data*

### ***Geographies***

As the data in Table 2 shows, the Bank's assessment area is composed of 31 census tracts, of which 1 is low-income, 4 are moderate-income, 19 are middle-income, and 7 are upper-income census tracts. Pittsfield accounts for half of the assessment area's moderate-income tracts and the only low-income tract. This area contains locally headquartered financial institutions and national or regional institutions. The Bank does not have a branch location in Pittsfield, which likely affects its ability to penetrate low- and moderate-income tracts in the assessment area.

### ***Business Data***

Data obtained from D&B show that 71.7 percent of non-farm businesses in the assessment area have gross annual revenues (GARs) of \$1 million or less in 2014. Approximately 9.8 percent of businesses are in the sole low-income census tract, which is higher than expected since this tract comprises only 3.2 percent of total tracts. The highest proportion of business establishments in the assessment area are engaged in the services industry (46.0 percent). In terms of employees, approximately 66.1 percent of the area's businesses employ four or fewer people. In terms of business locations, 90.9 percent of all businesses operate in a single location.

### ***Housing***

The assessment area consists of 54,251 housing units, of which 58.2 percent are owner occupied. The majority are one-to-four family housing units (84.4 percent). The majority of owner occupied units are in middle-income census tracts, with very low percentages of owner occupied units in low- and moderate-income tracts. As a result, there is increased competition for residential mortgage loans in these tracts. The 2014 median housing value is \$194,717, and the median age of the housing stock is 62 years.

The Warren Group housing data provides further information regarding home values. The average median sales price is \$152,413 for the municipalities in the assessment area. Prices



ranged from a high of \$360,000 (Richmond) to a low of 25,000 (New Ashford). The average median sales price exhibited an increasing trend from 2013 to 2014. The assessment area's median sales value is very low compared to Massachusetts as a whole (\$320,000), suggesting a relatively inexpensive area. These home values indicate opportunities likely exist for low- or moderate-income families to afford homeownership and obtain residential mortgage loans.

### ***Unemployment***

Recent figures from the Bureau of Labor Statistics reveal that Berkshire County show slightly higher unemployment rates than the State of Massachusetts. For Berkshire County, the unemployment rate was 7.3 and 6.5 percent for 2013 and 2014, respectively. Comparatively, the unemployment rate for the State of Massachusetts was 6.7 and 5.8 percent for 2013 and 2014. The recent closure of the hospital in North Adams has elevated the unemployment rate within the assessment area.

### ***Competition***

The Bank operates in a competitive environment as it competes for loans with banks, credit unions, and mortgage loan companies. Among the more prominent national financial institutions competing with the Bank for loans are Wells Fargo Bank, JP Morgan Chase, and Citibank, NA. According to 2013 HMDA market share reports, 137 lenders originated or purchased a residential loan in the assessment area.

### ***Community Contact***

As part of the CRA evaluation process, third parties who are active in the assessment area are contacted to assist in evaluating community needs of the Bank's assessment area. Relevant information from these contacts assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any, are available.

The evaluation referenced a recent community contact with a local municipal county that provides services to elderly residents in the area. The contact indicated that the most significant community development-related need in the assessment area was infrastructure to meet the population's basic medical and transportation needs. According to the contact, such efforts would support the older population and retain the younger population. Additionally, the contact state referenced the need for credit, such as home equity lines or reverse mortgages, specifically geared to support elderly residents to help pay for utilities and maintenance of their homes.

Overall, the contact was very pleased with the involvement of local financial institutions and considered Adams Community Bank very active in the community. The community contact mentioned a need for financial literacy courses available to youths in the area, such the "Credit for Life" program run at other high schools throughout Massachusetts.

### ***Assessment Area Credit Needs***

Based on a review of demographics, public evaluations of similarly situated banks, and community contacts, the area's credit needs include residential and commercial products.

Specifically, residential lending needs include standard mortgage products and foreclosure prevention efforts. Commercial lending needs include products that promote economic development. Relatively high unemployment rates suggest the need for loans that support business expansion and job creation. Non-profits also require financing to continue to meet basic needs among needy families in the area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Overall, the Bank's performance under the Lending Test is Outstanding. This rating indicates that the Bank's lending performance demonstrates excellent responsiveness to the credit needs of the assessment area.

### LOAN-TO-DEPOSIT RATIO

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. Overall, the Bank's LTD ratio is more than reasonable considering the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio was compared to the ratios of three institutions of similar size and business focus. Table 3 reflects the comparison of the Bank's average net LTD ratio during the review period to those of the three similarly situated institutions. For purposes of this criterion only, the review period includes all Call Reports submitted since December 18, 2008, the date of South Adams Savings Bank's most recent CRA evaluation.

Table 3 Loan-to-Deposit Ratios as of 12/31/2014			
Cert #	Institution	Average LTD Ratio	Assets at December 31, 2014
90140	Adams Community Bank	99.8	394,815
26397	Greenfield Co-operative Bank	71.2	349,764
26523	Hometown Bank	97.3	400,348
23524	Southbridge Savings Bank	104.1	451,493
26455	Savers Co-operative Bank	95.5	458,242

Source: December 31, 2008 through December 31, 2014 Call Reports

The Bank's average net LTD ratio over the 18 quarters during the review period is 99.8 percent. The Bank's net LTD ratio ranged from a low of 93.7 percent as of September 30, 2012 to a high of 104.6 percent as of December 31, 2014, the end of the most recent quarter. The average net LTD ratio for the similarly situated institutions for the same time ranged from 95.5 percent to 104.1 percent. Bank performance under this criterion is excellent.

### ASSESSMENT AREA CONCENTRATION

This performance criterion determines what percentage of the Bank's lending occurs within the assessment area. Overall, a substantial majority of loans and other lending related activities are

in the bank's assessment area. Table 4 illustrates the distribution of home mortgage and small business loans inside and outside the assessment area by number and dollar volume.

<b>Table 4</b>										
<b>Distribution of Loans Inside and Outside of Assessment Area</b>										
Loan Category of Type	Number Loans					Dollar Volume				
	Inside		Outside		Total #	Inside		Outside		Total \$(000s)
	#	%	#	%		\$(000s)	%	\$(000s)	%	
<b>2013</b>										
Home Purchase	134	92.4	11	7.6	145	16,845	92.7	1,330	7.3	18,175
Refinance	115	93.5	8	6.5	123	17,590	91.7	1,581	8.3	19,171
Home Improvement	84	90.3	9	9.7	93	9,601	90.3	1,031	9.7	10,632
<b>2013 Total</b>	<b>333</b>	<b>92.2</b>	<b>28</b>	<b>7.8</b>	<b>361</b>	<b>44,036</b>	<b>91.8</b>	<b>3,942</b>	<b>8.2</b>	<b>47,978</b>
<b>2014</b>										
Home Purchase	179	92.8	14	7.2	193	22,567	90.9	2,251	9.1	24,818
Refinance	53	88.3	7	11.7	60	6,577	86.9	994	13.1	7,571
Home Improvement	42	91.3	4	8.7	46	3,767	91.7	339	8.3	4,106
<b>2014 Total</b>	<b>274</b>	<b>91.6</b>	<b>25</b>	<b>8.4</b>	<b>299</b>	<b>32,911</b>	<b>90.2</b>	<b>3,584</b>	<b>9.8</b>	<b>36,495</b>
<b>Residential Total</b>	<b>607</b>	<b>91.9</b>	<b>53</b>	<b>8.1</b>	<b>660</b>	<b>76,947</b>	<b>91.1</b>	<b>7,526</b>	<b>8.9</b>	<b>84,473</b>
<b>2014 Small Business</b>	<b>31</b>	<b>91.2</b>	<b>3</b>	<b>8.9</b>	<b>34</b>	<b>2,070</b>	<b>97.0</b>	<b>65</b>	<b>3.0</b>	<b>2,135</b>
<b>Grand Total</b>	<b>638</b>	<b>91.9</b>	<b>56</b>	<b>8.1</b>	<b>694</b>	<b>79,017</b>	<b>91.2</b>	<b>7,591</b>	<b>8.8</b>	<b>86,608</b>

Source: 2013 and 2014 HMDA LARs; 2014 Bank small business loan sample.

From 2013 to 2014, the Bank's overall home mortgage performance for this criterion remained consistently high. Home purchases comprised the largest portion of originations in 2013, and it increased in 2014. Conversely, refinance and home improvement originations were halved year over year, reflective of the overall market trend nationwide due to an increasing interest rate environment.

In the 2014 sample of small business originations, the Bank's lending was also substantially within the assessment area.

## **GEOGRAPHIC DISTRIBUTION**

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Residential lending to moderate-income borrowers is particularly noteworthy.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Table 5 shows the distribution of loans within the assessment area, along with aggregate lending data for 2013 and the distribution of owner-occupied housing data for comparative purposes.

<b>Table 5</b> <b>Distribution of Home Mortgage Loans by Census Tract Income Level</b>							
Census Tract Income Level	2013				2014		
	Owner- Occupied Housing Units	Aggregate Lending Data	Bank Lending Data		Owner- Occupied Housing Units	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
<b>Low</b>	0.8	0.7	1	0.3	0.8	1	0.4
<b>Moderate</b>	8.4	5.5	48	14.4	8.4	43	15.7
<b>Middle</b>	64.8	63.3	224	67.3	64.8	193	70.4
<b>Upper</b>	26.0	30.5	60	18.0	26.0	37	13.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>333</b>	<b>100.0</b>	<b>100.0</b>	<b>274</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data; 2013 and 2014 Bank HMDA LAR; 2013 HMDA Aggregate Data.*

The Bank was slightly below the percentage of the owner-occupied housing units in the assessment area's sole low-income census tract. In 2013, however, only 9 out of the 137 lenders in the assessment area (including large national banks and mortgage lenders) were able to penetrate this census tract. These 9 lenders made a total of 19 residential mortgage loans, which reflects the limited opportunities for making a loan in this particular area. Alternatively, the Bank's 2013 performance in moderate-income census tracts significantly exceeded aggregate lending and the percentage of owner-occupied housing units. The Bank ranked first in moderate-income tracts with a market share of 24.9 percent.

The Bank maintained its performance in both areas in 2014, exhibiting its commitment to distributing loans through low- and moderate-income census tracts in the assessment area.

### *Small Business Loans*

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. Small business lending performance, however, had a minimal effect on overall conclusions since the Bank is primarily a residential lender, it does not have a branch in the low-income tract, and there were relatively limited opportunities to make small business loans in low- or moderate-income tracts in the assessment area. Table 6 shows the distribution of small business loans and businesses by census tract income level.

Table 6 Distribution of Small Business Loans by Income Category of the Geography			
Census Tract Income Level	2014		
	Total Businesses	Bank Lending	
	%	#	%
<b>Low</b>	9.8	0	0.0
<b>Moderate</b>	10.3	3	9.7
<b>Middle</b>	53.9	23	74.2
<b>Upper</b>	26.0	5	16.1
<b>Total</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>

Source: 2014 D&B Business Data; 2014 Bank Small Business Loan Records

While no loans were originated in low-income census tracts, the Bank performed in line with the demographics of businesses located in moderate-income census tracts.

## BORROWER PROFILE

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes.

### *Home Mortgage Loans*

The distribution of home mortgage loans reflects excellent penetration of borrowers of different income levels. The table below provides information regarding the Bank's distribution of home mortgages by borrower income levels compared to aggregate and demographic data.

Table 7 Distribution of Home Mortgage Loans by Borrower Income Level							
Census Tract Income Level	2013				2014		
	Total Families	Aggregate Lending Data	Bank Lending Data		Total Families	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
<b>Low</b>	22.6	5.3	21	6.3	22.6	50	18.3
<b>Moderate</b>	17.3	14.4	41	12.3	17.3	52	19.0
<b>Middle</b>	22.8	20.3	79	23.7	22.8	79	28.8
<b>Upper</b>	37.3	50.2	176	52.9	37.3	65	23.7
<b>NA</b>	0.0	9.8	16	4.8	0.0	28	10.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>333</b>	<b>100.0</b>	<b>100.0</b>	<b>274</b>	<b>100.0</b>

Source: 2010 U.S. Census Data; 2013 and 2014 Bank HMDA LAR; 2013 HMDA Aggregate Data.

The Bank's performance in 2013 by percentage was in line with aggregate lending data and

below the demographic percentage of families. However, not all families within the demographic may qualify for a home mortgage loan; approximately 8.7 percent of families are below the poverty line. Additionally, while the Bank's percentage of loans originated to low- and moderate-income families was in line with aggregate lending data, market share reports reflect excellent performance. The Bank was ranked second in the assessment area in lending to both low-income (13.5 percent market share) and moderate-income applicants (9.8 percent market share). The fact that the Bank has been able to capture such a significant share in a market of 137 lenders (including large national banks, mortgage lenders, and credit unions) reflects the success of lending to low- and moderate-income individuals.

The Bank's 2014 performance increased greatly from 2013 by both number and percentage. Loans to low-income borrowers doubled despite the overall decrease in originations in 2014. The Bank achieved this performance by expanding its flexible lending programs and adjusting its lending policy to reach borrowers of different income levels. This performance reflects a commitment to extend credit to borrowers of all income levels.

### *Small Business Loans*

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. The Bank's lending distribution correlates closely to area demographics. The table below provides information regarding the distribution of sampled small business loans by GAR category compared to areas businesses by GAR category.

<b>Table 8</b>			
<b>Distribution of Small Business Loans by Gross Annual Revenues</b>			
<b>Gross Annual Revenues</b>	<b>2014</b>		
	<b>Total Businesses</b>	<b>Bank Lending</b>	
	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1 Million</b>	71.7	22	70.9
<b>&gt; \$1 Million/NA</b>	28.3	9	29.1
<b>Total</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>

*Source: 2014 D&B Business Data; 2014 Bank Small Business Loan Records*

## **RESPONSE TO CRA COMPLAINTS**

The Bank did not receive any CRA-related complaints since the previous examination; therefore, this performance criterion did not impact the overall rating.

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through use of community development loans, qualified investments, and community development services. This test considers the Bank's

capacity and the need and availability of such opportunities for community development activities within the assessment area. Opportunities to extend community development loans, investments, and services were determined through an analysis of demographic information, which shows that 39.9 percent of assessment area families are categorized as low- or moderate-income according to 2010 U.S. Census data. Additionally, a review of community contacts and CRA public evaluations of similarly situated institutions indicated there are both needs and opportunities related to community services for the low- or moderate-income population.

This is the first evaluation of Adams Community Bank as an Intermediate Small Bank. Both Adams Co-operative Bank and South Adams Savings Bank were Small Banks at the time of the merger in February 2012. The Bank's designation, which determines the evaluation procedures used, changed from a Small Bank to an Intermediate Small Bank because of the increase in asset size due to the merger. The agencies considered that the Bank recently became an Intermediate Small Bank when evaluating Community Development Test performance

The Bank's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

### **Community Development Loans**

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

Adams Community Bank originated one community development loan totaling \$434,262 within its assessment area during the review period, which represents just over 0.1 percent of net loans. This loan was originated under the SBA's 504 lending program. Loans made under this program provide financing to eligible borrowers for the acquisition, construction, expansion, or renovation of land and buildings for purchase of long-life assets and are considered as having community development purposes. This loan qualified as a community development loan as the bank did not count this as a small business loan under the Lending Test.

### **Community Development Investments**

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The Bank made just over \$2.0 million in qualified investments, which represents 0.5 percent of total assets. The following describes the institution's qualified investments during the review period.

## Debt Investments

**Fair Havens, Inc.:** Fair Havens, Inc. is a dormant subsidiary of Ascetria Care Alliance, which was formerly known as Lutheran Social Services of New England. Fair Havens owns and operates the Quaboag Rehabilitation facility as its only asset. The Quaboag Rehabilitation facility is a skilled nursing facility in which approximately 72 percent of its residents are on Medicaid. Even though the facility is located outside of the Bank's designated assessment area, it serves all of Western Massachusetts, which includes the assessment area. The bank purchased bonds from this organization totaling \$2.0 million in 2014.

## Charitable Donations

During the review period, the bank made 12 qualified community development donations totaling \$3,499. Table 9 depicts the bank's community development donations by year and by community development purpose.

Table 9 Community Development Donations								
Community Development Category	2013		2014		YTD 2015		Totals	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing for Low- or Moderate-Income Individuals	3	250					3	250
Community Services Targeted to Low- or Moderate-Income Individuals	1	500	6	2,050	1	50	8	2,600
Promote Economic Development	1	649					1	649
Revitalize or Stabilize Low- or Moderate-Income Geographies								
<b>Total</b>	<b>5</b>	<b>1,399</b>	<b>6</b>	<b>2,050</b>	<b>1</b>	<b>50</b>	<b>12</b>	<b>3,499</b>

Source: Bank records from 2013 through year-to-date 2015.

Examples of the qualified organizations that received donations include:

**Soldier On:** This is a private nonprofit organization committed to ending veteran homelessness. Since 1994, the organization has been providing homeless veterans with transitional housing and supportive services.

**A Better Chance Greylock:** A Better Chance Greylock, Inc. (ABC Greylock) is a Community School Program affiliated with the national A Better Chance organization, a national residential high school program that prepares academically talented and highly motivated African American, Latino, Asian, and Native American students from educationally underserved school districts for college and future leadership roles in the broader community.

**Berkshire Family And Individual Resources ( BFAIR ):** Dedicated to meeting the unique needs of people with disabilities, BFAIR incorporated in 1994 and opened its first residential home for people with developmental disabilities. In addition to its residential home, BFAIR's Arcadia Employment Services vocational program offers employment, training and job placement services for close to 200 people with disabilities annually.



### **Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services. The Bank is currently involved in local services and non-profit entities, which qualify as community development organizations, lending their financial expertise to these organizations.

### **Bank Employee and Director Involvement**

During the review period, officers and employees of the bank were involved in organizations in various capacities that represented a community development purpose. Bank personnel provided these organizations with financial expertise in a variety of roles.

The following is a list of the bank's participation with various qualified organizations that benefited the assessment area.

- A senior officer from the bank serves on the Board of Directors of a local housing corporation. The corporation manages an affordable apartment community located in North Adams, Massachusetts. The apartment community was developed and operates with Federal housing financing. The property utilizes the Section 202 Federal housing program to make rent affordable to lower income tenants.
- A senior bank officer serves on the Committee of a local Community Development Corporation. The Community Development Corporation is an economic development non-profit organization which assists small business owners in development education, access to capital, and obtaining commercial office and manufacturing space.
- A bank officer utilizes her expertise as an instructor of financial literacy classes in schools throughout the assessment area.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## APPENDIX A

### MINORITY APPLICATION FLOW

The Bank's HMDA LARs for 2013 and 2014 were reviewed to determine if the application flow from different minority groups within the Bank's area was reflective of the assessment area demographics.

The Bank's residential lending in 2013 was compared to the 2013 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 10 for information on the Bank's minority application flow as well as a comparison to aggregate lending data within the Bank's assessment area.

<b>Table 10 - Minority Application Flow</b>					
<b>RACE</b>	<b>Bank 2013</b>		<b>2013 Aggregate Data</b>	<b>Bank 2014</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	2	0.4	0.3	0	0.0
Asian	5	1.2	1.0	0	0.0
Black/ African American	0	0.0	1.3	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	4	0.9	1.1	0	0.0
<b>Total Minority</b>	<b>11</b>	<b>2.5</b>	<b>3.8</b>	<b>0</b>	<b>0</b>
White	370	85.3	82.4	373	91.4
Race Not Available	53	12.2	13.8	35	8.6
<b>Total</b>	<b>434</b>	<b>100.0</b>	<b>100.0</b>	<b>408</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	5	1.2	1.9	5	1.2
Not Hispanic or Latino	360	83.0	83.4	362	88.7
Joint (Hisp/Lat /Not Hisp/Lat)	2	0.4	1.0	4	1.0
Ethnicity Not Available	67	15.4	14.0	37	9.1
<b>Total</b>	<b>434</b>	<b>100.0</b>	<b>100.0</b>	<b>408</b>	<b>100.0</b>

*Source: U.S. Census 2010, HMDA LAR Data 2013 and 2014, HMDA Aggregate Data 2013*

According to the 2010 U.S. Census data, the Bank's assessment area had a population of 110,395 individuals, of which 9.8 percent are minorities. The assessment area's minority and ethnic population consists of 0.2 percent American Indian, 1.3 percent Asian/Pacific Islander, 2.8 percent Black, 3.5 percent Hispanic, and 2.1 percent other.

In 2013, the Bank received 434 HMDA reportable loan applications within its assessment area. Of these applications, 2.5 percent were received from racial minority applicants. The Bank's application flow was below the aggregate's performance of 3.8 percent of applications received from minorities. In 2013, the Bank received 7 applications representing 1.6 percent of applications from the Hispanic or Latino ethnic group. The Bank's application flow from minority applicants was below the aggregate's performance of 2.9 percent of applications received from the Hispanic or Latino ethnic group.

In 2014, the Bank slightly improved its performance to both Hispanic applicants (2.2 percent) but made no racial minority applications. Further examination of demographics of the area reveals that the majority of minorities reside in Pittsfield Massachusetts, an area the Bank has not yet allocated branches. As a result, the amount of marketing or lending resources penetrating this area is limited. The Bank plans to increase its lending throughout the assessment area, including the City of Pittsfield.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate.

## **GLOSSARY**

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,

(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Non-metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and non-metropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private



capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 93 Main Street, North Adams, MA 01247."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.